

EXECUTIVE CHAMBERS

HONOLULU

May 1, 2007

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 854

Honorable Members  
Twenty-Fourth Legislature  
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 854, entitled "A Bill for an Act Relating to Continued Temporary Total Disability Benefits to Injured Employees."

This bill allows the continuation of temporary total disability (TTD) benefits until the Director of Labor and Industrial Relations (Director) issues a decision terminating the benefits or until the employee's treating physician determines that the employee is able to resume work and the employer has made a bona fide offer of work within the employee's medical restrictions.

Currently, pursuant to section 386-31(b), Hawaii Revised Statutes, an employer/insurance carrier (employer) may terminate TTD benefits upon order of the Director or if an employee is able to return to work. The existing law provides that an employer must notify the employee and the Director of its intent to terminate TTD benefits at least two weeks prior to the date when the last payment is to be made. Section 386-31(b) also requires the notice to inform the employee that the employee may make a written request to the Director for a hearing if the employee disagrees with the employer's decision to terminate TTD benefits. Current law protects against unwarranted early termination of benefits by allowing the Labor Director to assess a twenty percent penalty against an employer who fails to

continue paying an injured worker.

While I support the intent to ensure that injured workers collecting TTD benefits receive their benefits in a timely manner while preventing employers from unreasonably denying or delaying payment of TTD benefits, this bill is objectionable for the following reasons:

(1) It does not recognize that the twenty percent penalty already deters employers from terminating TTD benefits unless there is a valid and good faith basis to do so.

(2) Although this bill entitles an employer to a credit, any credit is limited to the amount paid to the employee after notification by the Director of the Director's determination. Any benefits paid prior to the decision of the Director are specifically not recoverable by the employer. Because most employers will immediately terminate benefits once they receive notice of the Director's decision, the period of credit allowed by the bill is an extremely short period of time, and more importantly, specifically excludes the period in which the employee collected benefits to which the employee was not entitled. In other words, even if the Director determines that TTD benefits should have been terminated at some prior date, an employer would not be entitled to a credit nor would it be allowed to recover any of the TTD benefits paid prior to the decision of the Director, thereby allowing a employee to retain benefits to which the employee was not entitled.

(3) The bill would needlessly increase the costs of workers' compensation claims and would also create a disincentive to return to work. More specifically, it may encourage certain employees to continue to contest returning to work because even if the Director determines the employee should and could have

returned to work, the employee bears no risk for failing to do so, as the benefits the employee was paid are non-recoverable by the employer.

(4) It provides a process for an employee, but not an employer, to request a hearing. Pursuant to this bill, an employer cannot terminate TTD benefits unless the Director orders the termination of benefits or the employee's treating physician determines that the employee is able to resume work and the employer has made a bona fide offer of work within the employee's medical restrictions. The bill, however, does not provide a specific process for the employer to request a hearing, establishing inequitable treatment of the employer versus the employee through this provision.

(5) Finally, this bill establishes disincentives for an employee to return to work within a reasonable time since their wage benefits continue as long as they stay away from their job and their treating medical provider allows them to do so. Since the employee must initiate the request for a Department of Labor and Industrial Relations hearing, the bill is silent as to what happens if the employee fails to request a hearing.

For the foregoing reasons, I am returning House Bill No. 854 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "Linda Lingle", is written over the printed name.

LINDA LINGLE  
Governor of Hawaii